

## Message Text

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C O N F I D E N T I A L MOSCOW 4119

LIMDIS

E.O. 11652 GDS

TAGS: EGEN, EEWT, ETRD, US, UR

SUBJECT: APRIL MEETING OF JOINT COMMERCIAL COMMISSION--POSSIBLE  
SOVIET APPROACH AND PROPOSED U.S. RESPONSE

USDOC FOR BEWT/DOWNEY

REF: MOSCOW 4108

1. SUMMARY: AS RESULT OF DEVELOPMENTS SURROUNDING 1974 TRADE  
LEGISLATION, NEXT MONTH'S MEETING OF JOINT COMMERCIAL COMMISSION  
WILL TAKE PLACE UNDER CONDITIONS MARKEDLY DIFFERENT FROM THOSE OF  
PREVIOUS YEARS. EMBASSY BELIEVES SOVIETS VIEW THEIR POSITION IN  
UPCOMING SESSION AS CONSIDERABLY STRENGTHENED VIS-A-VIS U.S.,  
AND THIS MESSAGE PRESENTS PROBABLE SOVIET APPROACH AT JOINT  
COMMISSION MEETING AND SUGGEST U.S. RESPONSE. END SUMMARY.

2. DURING EARLIER MEETINGS OF JOINT COMMISSION AND IN OTHER HIGH-  
LEVEL US-SOVIET ECONOMIC DISCUSSIONS, SOVIETS HAVE DEMONSTRATED  
PARTIAL AWARENESS OF FACT THAT THEY WERE CAST IN ROLE OF  
SUPPLICANTS. DESPITE THEIR CLAIMS THAT ECONOMIC RELATIONSHIP WAS  
OF EQUAL INTEREST AND EQUAL BENEFIT TO BOTH PARTIES, THEY APPEARED  
TO RECOGNIZE TACITLY THAT SOVIET SIDE STOOD TO GAIN MORE  
IMMEDIATELY FROM EXPANDED TRADE, AND THEY DEVELOPED THEIR POSITIONS  
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ACCORDINGLY.

3. IN CONTRAST WITH PAST, EMBASSY BELIEVES SOVIETS WILL SEEK TO PLAY APRIL 1975 MEETING OF JOINT COMMISSION AS THOUGH REVERSAL OF RULES HAD TAKEN PLACE DURING PERIOD SINCE MAY 1974 MEETING. WE EXPECT THAT THEY WILL ATTEMPT TO ESTABLISH FROM OUTSET VIEWS THAT (A) U.S. STANDS TO GAIN MORE FROM CONTINUATION AND DEVELOPMENT OF TRADE RELATIONSHIP, AND (B) IT IS UP TO U.S. TO TAKE ANY STEPS NECESSARY TO ACHIEVE THIS END.

4. SUCH A SOVIET APPROACH WOULD BE BASED ON FOLLOWING CONSIDERATIONS:

(A) U.S. SIDE WILL SEE ITSELF IN PSYCHOLOGICALLY VULNERABLE POSITION DUE TO INABILITY TO OFFER TRADE TERMS SET FORTH IN 1972 TRADE AGREEMENT; (B) ECONOMIC RECESSION IN U.S. WILL CAUSE U.S. DELEGATION TO BE MORE FORTHCOMING IN HOPE OF OBTAINING SOVIET ORDERS; AND (C) RECENT AGREEMENTS BY JAPANESE AND WESTERN EUROPEANS TO PROVIDE LARGE AMOUNTS OF SUBSIDIZED CREDIT GIVE USSR IMPRESSIVELY ADVANTAGEOUS FINANCING OPPORTUNITIES AND THUS ALTERNATIVE OF ALLOWING US-SOVIET TRADE RELATIONSHIP TO DECLINE IN RELATIVE IMPORTANCE.

5. REFLECTING THESE PERCEPTIONS, SOVIETS WILL PROBABLY ADOPT, AT LEAST INITIALLY, RELATIVELY HARD LINE AT JOINT COMMISSION MEETING. IN PRACTICAL TERMS THIS POSITION WILL BE EXPRESSED IN: (A) REITERATION OF "THE BALL IS IN YOUR COURT" LINE AS FAR AS FURTHER DEVELOPMENT OF COMMERCIAL RELATIONS IS CONCERNED; (B) REJECTION OF ANY US PROPOSALS THAT SOVIETS PROCEED WITH SPECIFIC PURCHASES FROM AMERICAN FIRMS AS PREMATURE PENDING PROVISION BY U.S. OF SATISFACTORY CONDITIONS FOR EXPANSION OF TRADE IN BOTH DIRECTIONS; (C) REHASH OF STANDARD SOVIET "WE BUY WHERE THE PRICE IS RIGHT" LINE, ACCOMPANIED BY USUAL EMPHASIS ON EXTENT OF CREDIT AND FAVORABLE TERMS AVAILABLE TO USSR FROM OTHER INDUSTRIALIZED COUNTRIES; (D) POSTPONEMENT OF ANY US COMPLAINTS REGARDING FACILITIES FOR US FIRMS IN MOSCOW AS INOPPORTUNE UNDER CURRENT STATUTORY PROVISIONS FOR BILATERAL TRADE; AND (E) STRONGER THAN USUAL INSISTENCE THAT U.S. ACCOMMODATE ANY REQUESTS THEY MAY PRESENT FOR EXPANSION OF SOVIET COMMERCIAL PRESENCE IN U.S. IN CONNECTION WITH LAST POINT SOVIETS WILL PROBABLY RAISE TRAVEL CONTROLS IN CONTEXT OF US REQUIREMENT FOR DETAILED, SOMETIMES UNREALISTICALLY PRECISE ITINERARIES FOR SOVIET COMMERCIAL CONFIDENTIAL

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TRAVELLERS.

6. SHOULD SOVIETS ADOPT TACTICS OUTLINED ABOVE OR SOME VARIANT, EMBASSY RECOMMENDS US DELEGATION QUICKLY SEEK TO SET RECORDS STRAIGHT, STRESSING THAT ECONOMIC RELATIONSHIP MUST PROVIDE EQUIVALENT BENEFIT TO BOTH PARTIES: IF IT IS TO ENDURE, THIS RELATIONSHIP MUST NECESSARILY PROVE MUTUALLY BENEFICIAL. ACCORDINGLY THERE IS LITTLE OR NO ADVANTAGE TO ASSIGNMENT OF

BLAME FOR ANY PROBLEM WHICH MAY ARISE; IT IS INCUMBENT RATHER UPON BOTH SIDES TO TAKE WHATEVER STEPS THEY CAN TO PROMOTE FURTHER DEVELOPMENT OF ECONOMIC RELATIONSHIP. EMBASSY RECOMMENDS FURTHER THAT WE EMPHASIZE TO SOVIETS THAT PLOY OF SWITCHING PURCHASES AWAY FROM US FIRMS IN ORDER TO DEMONSTRATE TO AMERICAN PUBLIC AND CONGRESS SHORTCOMINGS OF RECENT TRADE AND EX-IM LEGISLATION IS UNWISE AND SHORTSIGHTED. IN EMBASSY'S VIEW, WE SHOULD URGE SOVIETS TO ADOPT FORTHCOMING APPROACH ON BROAD RANGE OF ECONOMICS ISSUES, FOLLOWING UP WORK BEGUN DURING ECONOMIC AGREEMENT EXPERTS' MEETING AND INCLUDING, INTER ALIA, SOVIET ASSURANCE THAT AS CONTRACTS WILL NOT BE THROWN TO US FIRMS FOR POLITICAL REASONS, BY SAME TOKEN USSR WILL NOT CHANNEL BUSINESS AWAY FROM US FOR POLITICAL PURPOSES.

7. IN SUM, EMBASSY BELIEVES WE SHOULD BE PREPARED TO MAKE CLEAR TO SOVIETS FROM OUTSET THAT DESPITE RECENT HANDICAPS AND IRRESPECTIVE OF ANY TEMPORARY ECONOMIC DIFFICULTIES IN U.S., UNDERLYING FACTORS

WHICH SUSTAIN RELATIONSHIP AND BASIS NATURE OF ECONOMIC RELATIONSHIP ITSELF HAVE NOT CHANGED. THUS WE WOULD EXPECT BOTH PARTIES TO BE EQUALLY WILLING TO MOVE FORWARD, AS REGARDS BOTH THE OVERALL FRAMEWORK AND SPECIFIC ISSUES OF TRADE AND BUSINESS FACILITATION. STOESEL

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